TESTIMONY OF
MARK REY, UNDER SECRETARY
NATURAL RESOURCES AND ENVIRONMENT
UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE

COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES

April 21, 2005

CONCERNING

The implementation of P.L. 106-393, the Secure Rural Schools and Community Self-Determination Act of 2000

Mr. Chairman and Members of the Committee, thank you for giving me the opportunity to present the views of the U.S. Department of Agriculture regarding the implementation of P.L. 106-393, the Secure Rural Schools and Community Self-Determination Act of 2000.

Since enactment of the law known as the Twenty-five Percent Fund Act (16 U.S.C. § 500) in 1908, the Forest Service has distributed 25% of the gross receipts derived from the sale or use of commodities on each national forest to the state in which each national forest is located.

Beginning in the late 1980s, timber sale receipts, the primary funding source for the 25 percent payments began a precipitous decline, which continued and then stabilized at a much lower level in the 1990's. The decline in receipts impacted rural communities in the West, particularly communities in Washington, Oregon, northern California, and Idaho. For example, FY 1998 national forest revenues were $557 million, only 36% of the FY 1989 peak revenues of $1.531 billion. In FY 2004, national forest revenues were $281.1 million. Payments to many states under the Twenty-Five Percent Fund Act declined by an average of 70 percent from 1986 through 1998.

On October 30, 2000, P.L. 106-393 was signed into law in part to offset the effect of decreased revenues available to states from declining timber harvests on Federal lands. This Act authorized an alternative to a receipts-based payment.

The Act embraced three objectives: 1) to establish a stable payment for schools and roads that supplements other available funds; 2) to make additional investments in public and adjacent private lands; and 3) to improve the cooperative relationships among the people who use and care for federal lands, and the agencies who manage them.

This statute provided annual payments to states for fiscal years 2001-2006. An eligible county had the option of electing to receive its share of the state's 25-percent payment or its share of the average of the state's three highest 25-percent payments from fiscal years 1986 through 1999.

Title I – Secure Payments for States and Counties Containing Federal Lands

Title I of P.L. 106-393 provides a stable full payment amount for eligible states to benefit public education and transportation. Of the 717 counties in 41 states that were eligible for their share of the state's full payment amount under the Act, 550 or 77% initially decided to accept that payment in FY 2001. Under the Act in FY 2003, the counties were given another opportunity to receive their share of a state's full payment amount, sixty-five additional counties chose to take that payment, bringing the total to 615 counties, or 86% of the eligible counties.

Counties receiving their share of a state's full payment amount are found in 39 of the 41 states that are eligible for funding. The majority of these counties are located in the western and southern portions of the country, while those that have remained under the Twenty-five Percent Fund Act are primarily in the Great Lakes area. Timber sale receipts for states in the Great Lakes area have resulted in 25 % payments that tend to be higher than the full payment amounts for these states. Thus, it makes more economic sense for the counties in these states to continue receiving the 25 % payments.

Payments authorized by P.L. 106-393 have totaled $1.2 billion and average over $301 million each year since the Act was implemented. Payments have varied by region of the country. For example, the FY 2004 payments distribution included approximately $37 million to Southern states, $14 million to the Northeast and Midwest states, $273 million to Oregon, Washington and California and $71 million to the other western states.

Funding derived from the Treasury has provided participating counties a significantly higher payment than would have been the case under the Twenty-five Percent Fund Act. For example, if payments were based on 25 percent of receipts, the total twenty-five percent payment for FY 2005 to all states would have been approximately $71.4 million based on National Forest receipts that contribute to payments under P.L. 106-393 of $285.5 million. In comparison, the full payment amount for all states for FY 2005 is $395.7 million.

Title II – Special Projects on Federal Lands

Title I requires counties that receive a share of the state's full payment amount of $100,000 or more to set aside 15 to 20 percent of the payment for projects under Titles II or III, or both. Under Title II, funds may be used for a variety of projects on, or near, federal lands.

Title II also directs the establishment of 15- person resource advisory committees (RAC's) comprised of a balanced representation of stakeholder groups to recommend projects on National Forests System lands and O&C lands using Title II funds. Under the law, RACs also may submit proposals to combine Title II funds with other funds to complete projects. The role of a RAC is to solicit, review, and recommend resource improvement projects to the designated federal official. The RAC structure included in P.L. 106-393 was the first attempt to create direct community involvement in recommending on-the-ground projects on the National Forests on a system-wide basis.

To date we have established 56 RACs under the Act. RACs operate at the community level and are found in 13 of the eligible states. RACs have recommended, and the Forest Service has approved, over 1800 resource projects on, or near, Federal lands, an investment of over $100 million.

RACs have recommended a variety of projects including those in Tuolumne County, California where Title II funds have been used to create a fuel break on private lands along Highway 120, one of the main travel routes into Yosemite National Park. This project is a cooperative effort between the Stanislaus National Forest and private landowners who live along this corridor. The newly formed Ozark-Ouachita RAC in Arkansas has committed $335,000 of Title II funds to address watershed damage and public safety needs arising from long deferred maintenance on roads within the East Blackfork drainage. The Rainey Creek Community Restoration project, in Idaho, is exploring ways to reconnect Rainey Creek to the main stem of the South Fork Snake River. This project on private land will greatly enhance fish habitat and improve watershed condition and is a good example of the leveraging effect of Title II funds. The Title II investment in this project is $10,000 with $360,000 provided by other sources.

BLM RACs in Oregon are also utilizing Title II funds. In 2004 the Eugene District RAC recommended 12 projects in Douglas, Linn, and Lane counties that treated invasive weeds, provided forest jobs for at-risk youth, improved fish habitat, and restored watersheds

Interviews with RAC members, county officials, and Forest Service officials conducted under a study by Boise State University, suggest that cooperative relationships between the National Forests and their surrounding communities are improving. All groups interviewed noted increased cooperation among the various groups that use, care for, and manage Federal lands.

Title III – County Projects

Title III authorizes counties to use funds allocated under Title I for Title III projects for certain specific purposes: search, rescue, and emergency services on federal lands; community service work camps; conservation and recreation easements; forestry related after-school activities, and fire prevention and planning. Unlike Title II funds which are used to carry out projects proposed by RACs, counties decide how to use Title III funds. Many counties have used these funds to establish Fire Safe councils and for other community fire planning activities. Other counties are investing in community programs. The Boise State study asked county officials who had elected only Title III funding, why their particular county decided to allocate funds for Title III instead of Title II. Those interviewed said in some way or another that the needs of their community were better met through the avenues presented by Title III funding. Counties have used Title III funds primarily for fire suppression and prevention, emergency services, or a combination of the two (though funding amounts for emergency services were usually higher). Some counties with limited funds allocated for Title II discussed the amount of time and work involved in forming a RAC.

When we examine what is working the best with P.L. 106-393, I would have to go back to comments made by RAC members who said that the law encourages relationship building, discourse on public policy issues, and a dialogue between groups through the interaction found in RACs. Additionally, approximately $88 million in Title II projects and $94 million in Title III projects have been used on National Forest System lands during the Act's first three years. These projects have had a significant impact on improving natural resource conditions on National Forests and Grasslands. County officials that have placed funds into Title II must feel that the funds are being spent effectively because they continue to allocate additional funding increments into RACs, thus increasing the investment to Federal lands.

We have testified previously the Department could support a Senate bill that would reauthorize the Act (S. 267) if amended with agreed-upon savings that fully offset the costs of the bill in fiscal year 2007 and beyond, and if the bill is amended to incorporate other changes.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you may have for me at this time.